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EAST SIDE FIRE PROTECTION DISTRICT NO. 5

CITY OF BATON ROUGE

PARISH OF EAST BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAY 16 2012**

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Latuso and Johnson CPA, LLC

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
East Side Fire Protection District No. 5
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities of East Side Fire Protection District No. 5 as of December 31, 2011, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of East Side Fire Protection District No. 5. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fund information of East Side Fire Protection District No. 5, as of December 31, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, on our consideration of East Side Fire Protection District No. 5's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 and supplemental information on page 33 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Latuso & Johnson CPA, LLC

Latuso & Johnson, CPA, LLC
Baton Rouge, Louisiana
May 1, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the East Side Fire Protection District No. 5's annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the district for the fiscal year ended December 31, 2011. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The District's assets exceeded its liabilities by \$4,848,761 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$5,010,558.

- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$3,029,046 including property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Unrestricted net assets of \$1,819,715 represent the portion available to maintain the District's continuing obligations to citizens and creditors
- The District's governmental fund reported a total ending fund balance of \$2,278,221 this year. This compares to the prior year ending fund balance of \$2,643,325, showing a decrease of \$365,104 during the current year. This decrease is primarily related to the capital outlay expenditure of \$357,632.
- Total liabilities of the District decreased by \$114,609 to \$2,907,649 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements (Full Accrual Basis)

The District's annual report includes two government-wide financial statements. These statements provide both long-term and near-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the District's statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's activities and functions on revenues provided by the District's taxpayers.

Fund Financial Statements (Modified Accrual Basis)

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives.

Governmental funds: Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at year-end are \$4,848,761. This is a decrease of \$161,797 over last year's net assets of \$5,010,558, which was mainly attributed to the increase in liabilities for compensated absences and other post-employment benefits (OPEB). The following table provides a summary of the District's net assets:

Summary of Net Assets (Government Wide)

	<u>2011</u>	<u>2010</u>	<u>Amount Change</u>	<u>% Change</u>
Current and other assets	\$ 2,515,863	\$ 2,835,107	\$(319,244)	-11.3%
Capital assets	7,399,098	7,128,250	270,848	3.8%
Accumulated depreciation	<u>(2,158,551)</u>	<u>(1,930,541)</u>	<u>(228,010)</u>	<u>-11.8%</u>
Total assets	<u>7,756,410</u>	<u>8,032,816</u>	<u>(276,406)</u>	<u>-3.4%</u>
Current liabilities	410,718	404,092	6,626	1.6%
Long-term liabilities	<u>2,496,931</u>	<u>2,618,166</u>	<u>(121,235)</u>	<u>-4.6%</u>
Total liabilities	<u>2,907,649</u>	<u>3,022,258</u>	<u>(114,609)</u>	<u>-3.8%</u>
Net assets:				
Invested in capital assets, net of related debt	3,029,046	2,692,847	336,199	12.5%
Unrestricted	<u>1,819,715</u>	<u>2,317,711</u>	<u>(497,996)</u>	<u>-21.5%</u>
Total net assets	<u>\$4,848,761</u>	<u>\$ 5,010,558</u>	<u>\$(161,797)</u>	<u>-3.2%</u>

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net assets:

Summary of Changes in Net Assets (Government Wide)

	<u>2011</u>	<u>2010</u>	<u>Amount Change</u>	<u>% Change</u>
Revenues:				
Ad valorem taxes	\$1,740,180	\$1,625,775	\$ 114,405	7.0%
Inter-governmental	155,401	220,188	(64,787)	-29.4%
Fire Protection user charges	244,881	225,260	19,621	8.7%
Interest	18,698	14,118	4,580	32.4%
Gain or Sale of capital asset	3,000	-	3,000	- %
Miscellaneous	-	1,945	(1,945)	-100.0%
Insurance rebate	<u>58,291</u>	<u>49,169</u>	<u>9,122</u>	<u>18.6%</u>
Total Revenues	<u>2,220,451</u>	<u>2,136,455</u>	<u>83,996</u>	<u>3.9%</u>
Expenses:				
Public safety	2,268,422	2,107,392	161,030	7.6%
Debt service	<u>113,826</u>	<u>108,292</u>	<u>5,534</u>	<u>5.1%</u>
Total expenditures	<u>2,382,248</u>	<u>2,215,684</u>	<u>166,564</u>	<u>7.5%</u>
Net change in net assets	(161,797)	(79,229)	(82,568)	-104.2%
Net assets, beginning of year	<u>5,010,558</u>	<u>5,089,787</u>	<u>(79,229)</u>	<u>-1.6%</u>
Net assets, end of year	<u>\$4,848,761</u>	<u>\$5,010,558</u>	<u>\$(161,797)</u>	<u>\$ -3.2%</u>

General Fund Budgetary Highlights

The General Fund revised budget for fiscal year 2011 included revenues of \$2,185,884. This was a decrease of \$12,711 over the previous year budget. The General Fund budget complied with financial policies approved by the District's Board of Commissioners.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2011 and 2010, were \$5,240,547 and \$5,197,709, respectively.

The total increase in net investment was 0.8%. The major capital addition during 2011 was the second payment of \$315,206 for the purchase of fire truck.

Capital Assets at Year-end

	<u>2011</u>	<u>2010</u>	<u>% of Change</u>
Land	\$ 469,785	\$ 469,785	-
Buildings and improvements	3,722,767	3,722,767	-
Equipment and vehicles	<u>3,206,546</u>	<u>2,935,698</u>	<u>9.2%</u>
Totals	7,399,098	7,128,250	3.8%
Accumulated Depreciation	<u>(2,158,551)</u>	<u>(1,930,541)</u>	<u>-11.8%</u>
Net Book Value	<u>\$ 5,240,547</u>	<u>\$ 5,197,709</u>	<u>0.8%</u>

There were \$357,632 in additions to capital assets in 2011. See note 6 to the financial statements for additional information regarding capital assets.

Long-Term Debt

At the end of the year, the District had total long-term debt outstanding of \$2,211,501. At the end of the year, the District had total debt relating to capital leases of \$1,130,251 and \$1,081,250 related to certificate of indebtedness.

The certificate of indebtedness is secured by and payable solely from the pledge and dedication of the excess of annual revenues of the District above statutory, necessary and usual charges.

	<u>2011</u>	<u>2010</u>	<u>% of Change</u>
Certificate of indebtedness	\$1,081,250	\$1,297,500	-16.7%
Capital leases	<u>1,130,251</u>	<u>1,207,362</u>	<u>-6.4%</u>
	<u>\$2,211,501</u>	<u>\$2,504,862</u>	<u>-11.7%</u>

See note 8 to the financial statements for additional information regarding long-term debt.

Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions", was adopted during the year ended December 31, 2009. This standard establishes new accounting standards for Post Retirement Benefits Other Than Pensions (OPEB). The new standard requires accrual based accounting for the OPEB obligation rather than the pay-as-you-go method previously reported, which resulted in a net OPEB obligation of \$268,420 for the current year. More detailed information is available in notes 7, 10 and 11 of the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Chief S. Dale Hancock, East Side Fire Protection District No.5, 15094 Old Hammond Highway, Baton Rouge, Louisiana 70816.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 549,780
Due from other governments	1,263,792
Property taxes receivable - net	610,804
Accounts receivable, user fees - net	88,933
Accounts receivable - other	943
Prepaid expenses	1,611
Total Current Assets	<u>2,515,863</u>
Capital Assets :	
Land	469,785
Buildings	3,722,767
Equipment	1,772,040
Equipment under capital lease	1,434,506
Accumulated depreciation	<u>(2,158,551)</u>
Total Capital Assets (net of depreciation)	5,240,547
Total Assets	<u><u>\$ 7,756,410</u></u>
LIABILITIES	
Accounts payable	\$ 31,042
Accrued expenses and benefits payable	29,692
Accrued interest payable	52,451
Current portion of long term liabilities	<u>297,533</u>
Total Current Liabilities	410,718
Long-term Liabilities (net of current maturities) :	
Bonds payable	865,000
Obligations under capital leases	1,048,968
Compensated absences payable	314,543
OPEB liability	<u>268,420</u>
Total Liabilities	<u>2,907,649</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,029,046
Unrestricted	<u>1,819,715</u>
Total net assets	<u><u>\$ 4,848,761</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Program Revenues			Net Expenses & Revenues, and Changes in Net Asset
		Fees and Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
Governmental:					
Fire protection:					
Payroll and related expenses	\$ 1,565,474	\$	\$	\$	\$
Depreciation	314,794				
Equipment	114,265				
Insurance	72,095				
Contract services	69,869				
Occupancy	45,663				
Supplies	29,350				
Miscellaneous	23,476				
Travel	18,741				
Training	14,695				
Total fire protection	2,268,422	244,881	135,401	20,000	(1,868,140)
Interest and fiscal charges	113,826				(113,826)
Total governmental activities	\$ 2,382,248	\$ 244,881	\$ 135,401	\$ 20,000	\$ (1,981,966)

General revenues:

Property taxes, levied for fire protection	1,740,180
Insurance rebate	58,291
Interest	18,698
Gain on sale of capital asset	3,000
Total general revenues and transfers	1,820,169
	(161,797)
Net assets - beginning	5,010,558
Net assets - ending	\$ 4,848,761

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2011

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 549,780
Due from other governments	1,263,792
Property taxes receivable -net	610,804
Accounts receivable - user fees	88,933
Accounts receivable- other	943
Prepaid expenses	1,611
Total assets	<u>\$ 2,515,863</u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 31,042
Accrued expenses and benefits payable	29,692
Deferred revenue	176,908
Total liabilities	<u>237,642</u>
Fund balance:	
Unassigned	2,047,768
Assigned for compensated absences	230,453
Total fund balance	<u>2,278,221</u>
Total liabilities and fund balance	<u>\$ 2,515,863</u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>
REVENUES	
Property taxes, levied for fire protection	\$ 1,706,036
Fire protection service charges	242,815
Intergovernmental	155,401
Insurance rebate	58,291
Interest	<u>18,698</u>
Total revenues	<u>2,181,241</u>
EXPENDITURES	
Current:	
Fire protection	2,134,962
Debt Service:	
Principle payments on bond and leases	293,361
Interest payments	<u>121,022</u>
Total expenditures	<u>2,549,345</u>
Excess of expenditures over revenues	(368,104)
OTHER SOURCES	
Proceeds from capital asset disposal	<u>3,000</u>
Change in net assets	(365,104)
Fund balance - beginning	<u>2,643,325</u>
Fund balance - ending	<u><u>\$ 2,278,221</u></u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Fund Balances - Governmental Fund	\$ 2,278,221
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Costs of capital assets	\$ 7,399,098	
Accumulated depreciation	<u>(2,158,551)</u>	5,240,547

Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

Property taxes	\$ 160,286	
Service fees	<u>16,622</u>	176,908

Interest payable on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due	(52,451)
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Capital leases, compensated absences and other long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Balances at December 31, 2011

Bonds payable-long term	\$ (1,081,250)	
Obligation under capital lease	(1,130,251)	
Compensated absences	(314,543)	
OPEB liability	<u>(268,420)</u>	<u>(2,794,464)</u>

Total net assets of governmental activities	\$ <u>4,848,761</u>
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The accompanying notes are an integral part of these financial statements.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF NET CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balance - total governmental fund	\$	(365,104)
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The change in *net assets* for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$357,632) exceeded depreciation (\$314,794)		42,838
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Repayment of bonds and notes is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		293,361
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Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized for transactions that are normally not available within 60 days after year end. However in the statement of activities, which is presented on the accrual basis, revenues are reported regardless of when they are expected to be received. This amount combines the changes in deferred revenues in the following accounts:

Property taxes	\$	160,289	
Service fees		16,619	
Prior year deferred income		<u>(140,698)</u>	
			36,210

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. In the statement of activities, expenses are reported regardless of when financial resources will be used to satisfy them. Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This amount combines the following net changes:

Change in accrued interest not recognized in fund financial statements	\$	7,196	
Increase in compensated absences		(51,540)	
Increase in OPEB liability		<u>(124,758)</u>	
			(169,102)

Change in net assets of governmental activities	\$	<u><u>(161,797)</u></u>
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The accompanying notes are an integral part of these financial statements.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Formation and Operation

East Side Fire Protection District No. 5 (the District) is located in the City of Baton Rouge, Parish of East Baton Rouge, Louisiana (the City-Parish). A five-member board governs the District. The board members are appointed by the City-Parish Metropolitan Council and are not compensated. Effective January 1, 1994, the District became a separate operational unit acting independently from the City-Parish, pursuant to an intergovernmental agreement between the City-Parish and the District.

The purpose of the District is to provide fire protection for the citizens of the District. The District serves approximately 5,000 households and other business establishments. The total estimated population served is approximately 18,000. The District employs thirteen permanent full-time employees and various other permanent and contract part-time employees. However, many of the District's services are still provided through volunteers. No value is attributed to the volunteer services in the accompanying financial statements.

B. Basis for Presentation and Accounting

The accompanying financial statements of the District as of December 31, 2011 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of LRS 24:514 and the Louisiana Governmental Audit Guide.

Government-wide Statements: The statement of net assets and the statement of activities display information about the District. The District's activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The government-wide financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes and user fees, are recorded in the year assessed.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Government-wide Statements - (Continued):

The statement of activities presents a comparison between direct expenses and program revenues for the activities of the District. Program revenues include user fees paid by the property owners in the District and grants that are restricted to meeting operational or capital requirements.

Fund Financial Statements: The fund financial statements provide information about the District's activities, all of which are reported in the general fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and user fees are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures only to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

General fund: This is the District's operating fund. It accounts for all financial resources of the District.

C. Reporting Entity

The District was formerly considered a component unit of the City-Parish government of East Baton. In 2011, the City Parish elected early implementation of Governmental Accounting Standards Board (GASB) Statement No. 61, resulting in the District no longer being reflected as a component unit.

The District is considered a separate financial reporting entity. The financial reporting entity consists of (2) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their entity's financial statements to be misleading or incomplete.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

C. Reporting Entity - (Continued):

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the a larger governmental reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- Appointing a voting majority of an organization's governing body, and
- The ability of the larger governmental reporting entity to impose its will on that organization and/or
- The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the larger governmental reporting entity.
- Organizations for which the larger governmental reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

There are no component units included within the reporting entity.

D. Budget

The 2011 budget was prepared in 2010 by the Chief, and ratified by the Board of Commissioners. A public hearing was held on December 15, 2010 and the budget became effective January 1, 2011. The budget was revised once during 2011 and a public hearing was held on December 19, 2011 to ratify the revisions. The budget for the District is prepared on the cash basis. Revenues and receipts are budgeted in the year receipt is expected, and expenditures and disbursements are budgeted in the year that the purchases are made. No budget distinction is made between the capital projects and general funds.

The accompanying Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data. Because accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2011 is presented below:

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011

-Latuso and Johnson CPA, LLC

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

E. Encumbrances

The District does not use an encumbrance system of accounting. The books are kept on the cash basis and the financial statements are prepared on the modified accrual basis of accounting.

F. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in demand deposits, interest-bearing demand deposits and time deposit accounts. The District considers short-term (maturity of 90 days or less), highly liquid investments as cash equivalents. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

Cash and cash equivalents restricted for use on designated projects are reported separately from operating funds.

G. Property, Equipment and Depreciation

Property and equipment are recorded in the fund financial statements as expenditures at time of purchase and are capitalized in the Statement of Net Assets. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated property is valued at its estimated fair value on the date received. Assets over \$1,000 are capitalized.

In June 1999, GASB No. 34 was issued requiring the inclusion and depreciation of the District's infrastructure, retroactive to 1982 if applicable. Such assets have been depreciated using the straight-line method over their estimated useful lives from date of acquisition as follows:

	<u>Approximate Life in Years</u>
Buildings	10 - 50
Equipment	3 - 20
Equipment under capital leases	10 - 20
Vehicles	5 - 15

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

H. Compensated Absences

All employees accrue vacation and sick leave based on the years of service. A cash payment may be made for accumulated sick leave upon termination or separation of employment, not to exceed 168 days. Full-time employees earn vacation at a rate of eighteen days per year. Compensated absences payable represents the accrued vacation pay and the vested accrued sick pay.

I. Long-Term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the Statement of Net Assets.

J. Net Assets/Fund Balance

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The components of net assets are as follows:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted Net Assets - Consists of net assets less related liabilities reported in the government-wide statement of net assets that are subject to constraints on their use by creditors, grantors, contributors or legislation.
3. Unrestricted Net Assets – Represent net assets not appropriable for expenditures or legally segregated for a specific future use.

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54, which redefined how fund balances are presented in fund financial statements for the year ended December 31, 2011. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. As of December 31, 2011, the District did not have any nonspendable fund balances.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Restricted - Amounts that can be spent only for specific purposes because of the state or federal laws, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of December 31, 2011, the District did not have any restricted fund balances.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. These amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. As of December 31, 2011, the District did not have any committed fund balances.

Assigned - Amounts that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. As of December 31, 2011, the District's assigned fund balance totaled \$230,453.

Unassigned - All amounts not included in other spendable classifications. Unassigned fund balances are the residual classification for the District's General fund. As of December 31, 2011, the District's unassigned fund balance totaled \$2,047,768.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Prepaid Expense

Prepaid balances are for payments made by the District in the current year to receive services occurring in a subsequent fiscal year.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2011 the District had cash and cash equivalents in two interest bearing demand deposits totaling \$549,780. Total Bank balance for these deposits was \$582,008.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2011, the District had deposits (collected bank balances) secured from risk by \$250,000 of federal deposit insurance and over \$2,250,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3: PROPERTY TAXES

The Sheriff of East Baton Rouge Parish, as provided by LRS 33:1435, is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. December tax collections remitted to the District by the Sheriff in January are reported as "Due from other governments".

The 2011 property tax calendar was as follows:

Levy date	November 23, 2010
Millage rates adopted	November 23, 2010
Tax notices mailed	November 30, 2011
Due date	December 31, 2011
Lien date	January 1, 2012

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 3: PROPERTY TAXES - (CONTINUED)

State law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, they bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required to sell a portion or all of the property to settle the taxes and interest owed. Therefore, a substantial portion of the taxes are collected by year-end.

An allowance for uncollectible taxes is deducted from the gross taxes assessed and recorded in the current year. Uncollectible taxes are those taxes which, based on historical data, are not expected to be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the property taxes receivable are recorded on the government wide financial statements.

Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The property taxes collected by the sheriff within 60 days of year end are considered available and are recorded as such on the governmental fund financial statements.

Property taxes are assessed by the East Baton Rouge Assessor's Office and collected by the Sheriff's Office. The following is a summary of property taxes receivable at December 31, 2011:

Property taxes receivable	\$633,634
Less: allowance for uncollectible accounts	<u>(22,830)</u>
Net property taxes receivable	<u>\$610,804</u>

The allowance represents taxes not expected to be collected.

During December 2011 the Sheriff's office collected property taxes that were remitted to the District after year end. Taxes collected but not yet remitted totaled \$1,183,119 and were included in due from other governments in the accompanying financial statements.

NOTE 4: FIRE PROTECTION SERVICE CHARGES

The District is empowered to assess a service charge of \$32 for each residential and commercial structure in the District.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 4: FIRE PROTECTION SERVICE CHARGES - (CONTINUED)

During December 2011 the Sheriff's office collected service fees that were remitted to the District after year end. Fees collected but not yet remitted totaled \$132,382 and were included in due from other governments in the accompanying financial statements.

NOTE 5: DUE FROM OTHER GOVERNMENTS

Amounts collected for or promised to, but not yet remitted to the District are included in the accompanying financial statements as due from other governments. Amounts due from other governments at December 31, 2011 were as follows:

Due from Sheriff's Office for property taxes and service fees, net of retirement contribution of \$51,710	\$1,263,791
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NOTE 6: CHANGES IN PROPERTY AND EQUIPMENT

Following is a summary of the changes in property, equipment and depreciation for the year ended December 31, 2011:

	<u>Land</u>	<u>Building</u>	<u>Vehicles and Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Balance at 12/31/10	\$469,785	\$3,722,767	\$2,935,698	\$(1,930,541)	\$5,197,709
Additions	-	-	357,632	(314,794)	42,838
Disposals	-	-	(86,784)	86,784	-
Balance at 12/31/11	<u>\$469,785</u>	<u>\$3,722,767</u>	<u>\$3,206,546</u>	<u>\$(2,158,551)</u>	<u>\$5,240,547</u>

Depreciation expense recorded for the year ended December 31, 2011 was \$ 314,794.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 7: RETIREMENT PLAN AND NET PENSION OBLIGATION

Some of the District's employees are eligible for participation in the Employees' Retirement System of the East Baton Rouge City-Parish. The District's and employee contributions for 2011 were as follows. There were no unfunded contributions at December 31, 2011.

	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Required Contributions</u>	<u>Covered Payroll</u>
2009	21.7%	9.7%	106,000	488,500
2010	24.7%	9.4%	146,000	592,000
2011	25.9%	9.5%	176,000	680,562

The financial report for the retirement system may be obtained by writing to:

Retirement Administrator
Employees' Retirement System
City of Baton Rouge, Parish of East Baton Rouge
P. O. Box 1471
Baton Rouge, Louisiana 70821-1471

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS

In December 2004, the District entered into a lease purchase for a new fire truck. The cost of the asset and enhancements was \$700,000, to be repaid in 10 annual installments of principal and interest totaling \$90,136. The interest rate was calculated to be 5.48%.

In 2006 the District issued ten long-term certificates of indebtedness to a local bank in the aggregate amount of \$2,000,000 payable over a ten year period at various stated rates ranging from 4.7% to 5.2%, to build a new fire station. The certificates are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary, and usual charges in each of the fiscal years during which the certificate is outstanding.

During 2010, the District entered into two lease purchase agreements to purchase two fire trucks. The first lease for \$543,332 is to be repaid in annual installments ranging from \$30,000 to \$50,000, with the balance of \$462,749 due in July, 2017. The annual installments include interest at 4.5%. The second lease for \$214,148 requires annual installments ranging from \$17,000 to \$27,000 with the balance of \$106,744 due in October, 2020. The installments include interest at 5%.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions and balances during the year:

	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Bond Debt</u>	<u>Totals</u>
Balance at 12/31/10	\$263,002	\$1,207,362	\$1,297,500	\$2,767,864
Additions	87,459	-	-	87,459
Deductions/repayments	<u>(35,918)</u>	<u>(77,111)</u>	<u>(216,250)</u>	<u>(329,279)</u>
Balance at 12/31/11	<u>\$314,543</u>	<u>\$1,130,251</u>	<u>\$1,081,250</u>	<u>\$2,526,044</u>

The annual principal payments on long-term obligations outstanding at December 31, 2011, are as follows:

December 31,	<u>Construction Bond</u>	<u>Capital Leases</u>	<u>Total</u>
2012	\$ 216,250	\$ 81,283	\$ 297,533
2013	216,250	95,681	311,931
2014	216,250	100,768	317,018
2015	216,250	116,128	332,378
2016	216,250	132,224	348,474
2017-2020	<u>-</u>	<u>604,167</u>	<u>604,167</u>
Total	<u>\$1,081,250</u>	<u>\$1,130,251</u>	<u>\$2,211,501</u>

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS - (CONTINUED)

The annual interest payments on long-term obligations outstanding at December 31, 2011, are as follows:

December 31,	<u>Construction Bond</u>	<u>Capital Leases</u>	<u>Total</u>
2012	\$ 49,467	\$ 55,853	\$105,320
2013	38,709	51,455	90,164
2014	27,842	46,368	74,210
2015	16,813	41,008	57,821
2016	5,623	34,912	40,535
2017-2020	<u>-</u>	<u>46,328</u>	<u>46,328</u>
Total	<u>\$138,454</u>	<u>\$275,924</u>	<u>\$414,378</u>
Interest Accrued at December 31, 2010			\$ 59,647
Expense included in statement of Activities			113,826
Interest paid			<u>(121,022)</u>
Interest accrued at December 31, 2011			<u>\$ 52,451</u>

NOTE 9: SUPPLEMENTAL PAY

The statement of activities reflects income and program expenses of \$65,401 for supplemental pay from the State of Louisiana paid directly to the covered employees. This amount was recorded in revenue and an offsetting expenditure was recorded in payroll and related expenses.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 10: DEFERRED COMPENSATION PLAN

During 2006, the District adopted a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986. The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with provisions of GASB Statement No. 32, plan balances and activities are not reflected in the District's financial statements. The total deferrals as of December 31, 2011 were \$26,557.

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The East Side Fire District No. 5 OPEB plan is a single-employer defined benefit "substantive plan" as understood by the employer and its employees. The plan provides health insurance benefits to eligible retirees and their spouses. There is no written plan that exists or is sanctioned by law. The OPEB plan is reported based on communications to plan members. The OPEB plan does not issue a stand-alone financial report.

There are presently 12 active members and 2 retirees receiving benefits.

Retirees may continue their coverage paying the same premiums and receiving the same benefits as they did ten years before their retirement.

Funding Policy

The health plan was funded with employer payment of the premiums. The employer portion of pay-as-you-go OPEB insurance premiums are allocated over all participants in the OPEB plan.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

Annual OPEB cost and net OPEB obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized as unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the district's net OPEB obligation to plan.

Annual required contribution (ARC)	\$148,726
Interest on net OPEB obligation	2,873
Adjustment to annual required contribution	<u>(3,495)</u>
Annual OPEB cost	148,104
Age adjusted contributions made	<u>(23,346)</u>
Change in net OPEB obligation	124,758
Net OPEB obligation - Beginning of Year	<u>143,662</u>
Net OPEB obligation - End of Year	<u><u>\$268,420</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years follows. The information for the year ended December 31, 2011, was calculated by an actuary as of December 31, 2011:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$ 87,219	17.1%	\$ 72,323	\$ 72,323
December 31, 2010	\$ 90,395	21.1%	\$ 71,339	\$143,662
December 31, 2011	\$148,726	15.7%	\$124,758	\$268,420

Funding Status and Funding Progress

The funding status of the plan as of December 31, 2011, from the most recent actuarial valuation shows the plan is unfunded by \$4,000,471. The covered payroll (annual payroll of active employees covered by the plan) was \$680,562 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 587.82%.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The individual entry age-actuarial cost method was used for the December 31, 2011 actuarial valuation. Because the district currently finances OPEB using a pay-as-you-go approach, the discount rate of 2% is based on the historical (and expected) investments that are expected to be used in financing the payment of benefits. The actuarial assumptions included a 2% investment rate of return, an inflation rate of 4%, and an annual medical cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4.7% after nine years. Life expectancies were based on the RP2000 Mortality Table set forward ten years. Turnover rates were based on standard turnover assumptions. The agency's unfunded actuarial accrued liability is being amortized using a level percentage of payroll with an amortization period of 30 years.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2011**

NOTE 12: LEASE COMMITMENTS

The Company leases office equipment under a noncancellable five year operating lease.

The following is a schedule by years of future minimum lease payments required under the noncancellable operating lease as of December 31:

**Year Ended
December 31:**

2012	\$3,917
2013	<u>1,306</u>
Total:	<u>\$5,223</u>

NOTE 13: SUBSEQUENT EVENTS

Management of the District has evaluated all subsequent events through May 1, 2012, the date the financial statements were available to be issued. No additional disclosures by management are considered necessary.

NOTE 14: BOARD OF COMMISSIONERS

The District is governed by a Board of Commissioners. The members receive no compensation or per diem allowances for their service.

Latuso and Johnson CPA, LLC

Certified Public Accountants

11929 Bricksome Ave. • Baton Rouge, LA 70816

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Eastside Fire Protection District No. 5
Baton Rouge, Louisiana

We have audited the financial statements of the Eastside Fire Protection District No. 5 (the District), as of and for the year ended December 31, 2011 which comprise the District's basic financial statements and have issued our report thereon dated May 1, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings, that we consider to be a significant deficiency in internal control over financial reporting as indicated by finding 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

Latuso + Johnson CPA, LLC

Baton Rouge, Louisiana
May 1, 2012

EAST SIDE FIRE PROTECTION DISTRICT No. 5
Non GAAP Basis-Cash Basis
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual Budgetary Basis	Variances from Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,769,577	\$ 1,735,000	\$ 1,696,633	\$ (38,367)
Charges for services	231,200	243,000	276,882	33,882
Intergovernmental	70,000	70,000	70,000	-
Other revenue	18,630	70,000	59,904	(10,096)
Insurance taxes	53,000	60,384	58,291	(2,093)
Interest earnings	12,000	7,500	18,698	11,198
Total revenues	<u>2,154,407</u>	<u>2,185,884</u>	<u>2,180,408</u>	<u>(5,476)</u>
EXPENDITURES				
Payroll and related expenses	1,251,000	1,259,000	1,302,632	43,632
Equipment	113,000	154,000	108,573	(45,427)
Miscellaneous	78,500	100,500	91,375	(9,125)
Insurance	73,000	74,000	72,095	(1,905)
Contract services	90,000	79,000	69,869	(9,131)
Occupancy	59,000	52,000	45,662	(6,338)
Supplies	33,500	34,000	29,351	(4,649)
Travel	26,000	26,000	18,741	(7,259)
Training	18,000	18,000	14,695	(1,305)
Total operating expenditures	<u>1,742,000</u>	<u>1,794,500</u>	<u>1,752,993</u>	<u>(41,507)</u>
CAPITAL OUTLAY				
Principle and interest payments	413,504	413,504	414,383	879
Capital Outlays	41,000	321,206	357,632	36,426
Total capital outlay	<u>454,504</u>	<u>734,710</u>	<u>772,015</u>	<u>37,305</u>
Excess expenditures over revenue	\$ (42,097)	\$ (343,326)	\$ (344,600)	\$ (1,274)
Difference from cash method to GAAP basis			<u>182,803</u> <u>(161,797)</u>	
Net assets, beginning of year			<u>5,010,558</u>	
Net assets, end of year			<u>\$ 4,848,761</u>	

The above schedule has been prepared using the cash method of accounting.

See page 17 for additional information.

See auditors' report

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report issued

Unqualified

Internal control over financial reporting:

- Material weaknesses identified	___ yes	<u> x </u> no
- Significant deficiency (ies) identified that are not considered to be material weaknesses.	<u> x </u> yes	___ no

Noncompliance with laws and regulations

___ yes x no

Findings and Questioned Cost

One

SECTION II - PRIOR YEAR FINDINGS

NONE

SECTION III - CURRENT YEAR FINDING

2011-1 Finding - Credit Card Purchases

Finding: When personnel travel or entertain for the benefit of the District, it is normal procedure to allow certain individuals the use of a credit card. Upon our review of the monthly credit card statements, we noted that the charges were, in some cases, not formally approved or not properly supported by documentation.

Recommendation: A formal policy should be established and approved by the Board of Commissioners requiring that credit card charges meet certain requirements. The supporting documents should indicate amounts, date, vendor, participants and purpose of the expense. In addition, the Board should establish a maximum amount per purchase without prior approval.

Response: Management concurs with the recommendation.